

The Loan Assumption Guide: Take Over Someone Else's Low Rate



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What Is Loan Assumption?

Loan assumption means you take over someone else's mortgage. You get their low interest rate. They get out of the loan.

This works best when interest rates are high (like now) and you find someone with a low-rate loan from when rates were cheaper.

Why This Is So Powerful Right Now

Today's Reality:

- New mortgage rates: 7% and higher
- Loans from 2020-2022: 3% to 4%
- Monthly savings can be \$500+ on a \$300,000 loan

Example:

- \$300,000 loan at 7% = \$1,996/month
- Same loan assumed at 3.5% = \$1,347/month
- You save \$649 every month
- That's \$7,788 per year in savings

Which Loans Can Be Assumed

VA Loans (Your Best Option)

- **Who can assume:** Anyone who qualifies (you don't need to be military)
- **Process time:** 30-60 days
- **Cost:** Usually \$300-500 in fees
- **Requirements:** You must qualify with current VA standards

FHA Loans

- **Who can assume:** Anyone who qualifies
- **When:** Usually after loan is 12+ months old
- **Process time:** 45-90 days
- **Requirements:** Must meet current FHA guidelines

Conventional Loans

- **Reality:** Most cannot be assumed
- **Exception:** Some very old loans from 1980s might be assumable
- **Don't count on this:** Very rare to find

How to Find Assumable Loans

Where to Look

Military Communities

- Areas near military bases have lots of VA loans
- Military families move often and need to sell
- Check base housing offices for leads

Real Estate Listings

- Search MLS for "assumable loan" or "VA assumable"
- Look at homes bought in 2020-2022 (lowest rate period)
- Focus on homes where sellers are relocating

Direct Outreach

- Send letters to homes bought when rates were low
- Target military neighborhoods
- Contact divorce attorneys (couples often need to sell quickly)

What to Say When You Call

Phone Script: "Hi, I saw your home might be for sale. I'm wondering if you have a VA or FHA loan with a low interest rate. If so, I might be interested in taking over your loan instead of getting a new one. This could help you sell faster and save me money. Would you be open to discussing this?"

Why This Works:

- Seller gets out of their mortgage obligation
- They might sell faster than traditional route
- You get their low rate

The Assumption Process

Step 1: Verify the Loan

- Ask seller for loan details
- Confirm it's actually assumable
- Get current balance and rate
- Check with their lender

Step 2: Calculate Your Numbers

- Loan balance still owed: \$_____
- Your down payment needed: \$_____
- Monthly payment at their rate: \$_____
- Monthly payment at today's rates: \$_____
- Monthly savings: \$_____

Step 3: Get Pre-Qualified

- Apply with the current lender
- They'll check your credit and income
- You must qualify under current standards
- This takes 2-4 weeks

Step 4: Make Your Offer

- Offer purchase price for the home
- Specify you want to assume existing loan
- Plan for down payment to cover difference
- Include assumption contingency in contract

Step 5: Complete the Assumption

- Lender processes your application
- Home appraisal (you pay for this)
- Final underwriting approval
- Close like any other home purchase

Real Example: How This Works

The Property:

- Home value today: \$400,000
- Existing VA loan balance: \$280,000
- Current rate on existing loan: 3.25%
- Monthly payment: \$1,218

Your Investment:

- Down payment needed: \$120,000 (difference between price and loan balance)
- Monthly payment you take over: \$1,218
- What new loan would cost at 7%: \$1,663
- Monthly savings: \$445
- Annual savings: \$5,340

Is It Worth It? Your extra \$120,000 down payment saves you \$445/month. That's like earning 4.5% annually on your money, guaranteed. Plus you get the home.

Common Problems and Solutions

Problem: Seller Doesn't Know Their Loan Is Assumable

Solution: Help them contact their lender to verify. Many people don't know this is possible.

Problem: Seller Wants Too Much Money

Solution: Show them comparable sales. Explain that assumption buyers often pay fair market value but can close faster.

Problem: You Don't Have Enough Cash

Solution: Look for lower-priced homes with assumable loans. Or find partners to invest with you.

Problem: Lender Says No to Your Application

Solution: Improve your credit and try again. Or find a different assumable loan.

Advanced Assumption Strategies

The Military PCS Strategy

- "PCS" means Permanent Change of Station (military move)
- Military families often need to sell quickly
- They're motivated to use any strategy that works
- Build relationships with military spouses groups

The Divorce Situation Strategy

- Divorcing couples often need to sell quickly
- They want out of shared mortgage obligations
- Assumptions can be faster than traditional sales
- Work with divorce attorneys for referrals

The Estate Sale Strategy

- When property owners die, heirs often want to sell
- Assumptions can simplify the process
- Less paperwork than new mortgages
- Contact estate planning attorneys

What to Watch Out For

Legal Issues

- **Due-on-sale clauses:** Some loans require full payoff when sold. VA and FHA loans are protected from this, but check the documents.
- **Liability:** Make sure the seller is completely released from the loan. You don't want them still responsible if you default.

Financial Risks

- **Property condition:** Get thorough inspection. You're buying the house and the loan.
- **Market values:** Don't overpay just to get the low rate. The total deal must make sense.
- **Closing costs:** Budget for appraisal, title insurance, and assumption fees.

Seller Concerns

- **Release of liability:** Seller wants to make sure they're completely off the hook for the loan.
- **Timeline:** Assumptions can take longer than cash sales.
- **Certainty:** Sellers worry about deals falling through during the assumption process.

Building Your Assumption Business

Create a System

1. **Target List:** Make list of neighborhoods with high military populations
2. **Marketing:** Send letters to homes bought in 2020-2022
3. **Network:** Build relationships with agents who work with military clients
4. **Follow-up:** Track leads and follow up consistently

Work with the Right People

- **Real estate agents** who understand assumptions
- **Mortgage brokers** who process assumptions regularly
- **Title companies** experienced with assumption paperwork
- **Attorneys** who can handle complex assumption issues

Scale the Strategy

- Once you find one assumable loan, look for more
- Build reputation as someone who can close assumption deals
- Get referrals from satisfied sellers
- Consider partnering with others who have cash

Your 90-Day Assumption Action Plan

Days 1-30: Set Up Your System

- Research military communities in your area
- Find real estate agents who work with military clients
- Create letters to send to potential sellers
- Set up Google alerts for "assumable loan" listings

Days 31-60: Start Marketing

- Send letters to homes bought in 2020-2022
- Contact real estate agents about assumable listings
- Join military spouse Facebook groups in your area
- Visit open houses in military neighborhoods

Days 61-90: Follow Up and Close

- Follow up on all leads from first 60 days
- Make offers on suitable properties
- Get pre-qualified for assumptions with lenders
- Close on your first assumption deal

The Bottom Line

Loan assumptions are legal, profitable, and help both buyers and sellers. But they take work to find and complete.

Best For:

- People with cash for larger down payments
- Investors building portfolios
- Anyone who wants guaranteed savings on interest rates

Not Good For:

- People who need 100% financing
- Anyone without time to search for deals
- People who need to buy immediately

The key is to start looking now and be patient. The right deal will come along, and when it does, you'll save thousands of dollars every year.

Legal Note: Always verify loan assumability with the current lender. Get all agreements in writing. Use qualified professionals for legal and financial advice.